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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

|   |   |                        |
|---|---|------------------------|
|   | ) |                        |
| In re                                     | ) | Chapter 11             |
|   | ) |                        |
| RESIDENTIAL CAPITAL, LLC, <u>et al.</u> , | ) | Case No. 12-12020 (MG) |
|   | ) |                        |
| Debtors.                                  | ) | Jointly Administered   |
|   | ) |                        |

**LIMITED OBJECTION AND RESERVATION OF RIGHTS OF AD HOC  
COMMITTEE OF JUNIOR SECURED NOTEHOLDERS TO APPROVAL OF  
SETTLEMENT AGREEMENT BETWEEN THE DEBTORS AND THE  
NATIONAL CREDIT UNION ADMINISTRATION BOARD AS LIQUIDATING  
AGENT FOR WESTERN CORPORATE FEDERAL CREDIT UNION  
AND U.S. CENTRAL FEDERAL CREDIT UNION**

TO THE HONORABLE MARTIN GLENN,  
UNITED STATES BANKRUPTCY JUDGE:

The Ad Hoc Committee of Junior Secured Noteholders (the “Ad Hoc Committee”), by and through their undersigned counsel, hereby file this limited objection (the “Limited Objection”) to the Debtors’ Motion for Approval of the Settlement Agreement Between the Debtors and the National Credit Union Administration Board as Liquidating Agent for Western Corporate Federal Credit Union and U.S. Central Federal Credit Union [Docket No. 5535] (the “Motion”).<sup>1</sup> In support of the Limited Objection, the Ad Hoc Committee, respectfully state as follows:

### **LIMITED OBJECTION**

1. The Ad Hoc Committee do not oppose the settlement of the allowed amount of the NCUAB Claims. For the reasons and to the extent set forth in the Plan Objection, however, the Ad Hoc Committee object to the extent that the settlement fails to recognize the mandatory subordination of RMBS-related claims, and thus violates the absolute priority rule. Indeed, as the Debtors themselves acknowledged in the Subordination Adversary Proceeding—in which NCUAB was named as one of the defendants—section 510(b) “mandates subordination of the [claims of NCUAB and the other defendants] because those claims arise from the purchase of securities of the Debtors or of affiliates of the Debtors.”<sup>2</sup>

2. In light of the issues raised in the Plan Objection and the similarity of the NCUAB Claims and the Securities-Related Claims, any settlement with the NCUAB that would

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<sup>1</sup> Capitalized terms not defined herein have the meaning ascribed to them in the Motion or the Objection of the Notes Trustee and Ad Hoc Committee of Junior Secured Noteholders to Confirmation of Plan Proponents’ Chapter 11 Plan [Docket No. 5443] (the “Plan Objection”), as applicable.

<sup>2</sup> See Debtors’ Memorandum of Law in Opposition to the Motion of AIG Asset Management (U.S.), LLC, the Allstate Entities, Massachusetts Mutual Life Insurance Company, and the Prudential Entities for Summary Judgment, Residential Capital, LLC et al. v. Allstate Insurance Company, et al., No. 13-01262 (MG) (Bankr. S.D.N.Y. Apr. 23, 2013) [Docket No. 42], at 1; Debtors’ Memorandum of Law in Support of Debtors’ Motion for Summary Judgment, Residential Capital, LLC et al. v. Allstate Insurance Company, et al., No. 13-01262 (MG) (Bankr. S.D.N.Y. Apr. 23, 2013) [Docket No. 26], at 1.

dictate the priority of the NCUAB Claims should be addressed in connection with the Plan confirmation process.

**RESERVATION OF RIGHTS**

3. The Ad Hoc Committee reserve any and all rights to advance additional arguments with respect to the Motion and to respond to any arguments made by any other parties, including any of the Plan Proponents.

**WHEREFORE**, the Ad Hoc Committee respectfully request that the Court (a) deny the Motion; and (b) grant such other and further relief as is just and proper.

Dated: November 7, 2013

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